

Message Text

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ORIGIN USIA-15

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USIA:IEE J KORDEK(PHONE)

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R 262302Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

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FOLLOWING REPEAT USIA 15448-U

QUOTE:

CIRCULAR

INFOGUIDA 75-14

USIA 15448

FT. BRAGG, JFK CENTER FOR MILITARY ASSISTANCT

ATTN: GEBUHR

E.O. 11652: NA

SUBJ: QUALITY OF US GRAIN EXPORTS

1. THIS GUIDANCE PROVIES BRIEF PERSPECTIVE AND SUMMARIZES CURRENT PROBLEMS INVOLVING QUALITY OF US GRAIN EXPORTS. RECENT OVERSEAS COMPLAINTS INVOLVE ALLEGATIONS OF SUB-STANDARD, DISEASE-RIDDEN, AND UNCLASSIFIED

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MISGRADED CORN, WHEAT, AND SOYBEAN MEAL. SPECIFIC COMPLAINTS INCLUDE: PROTEIN DEFICIENCY AND FOREIGN MATERIAL IN WHEAT, BROKEN AND DAMAGED CORN KERNELS, AND SOYBEAN MEAL HIGH IN LIME AND FIBER CONTENT AND LOW IN PROTEIN. U.S.DEPARTMENT OF AGRICULTURE(USDA) HAS FORMULATED

ACTION PLAN TO CORRECT CURRENT FEDERALLY-CONTROLLED INSPECTION SYSTEM'S DEFICIENCIES.

2. US GRAIN INSPECTION AND GRADING SYSTEM BEGAN IN EARLY 1800'S ON PRIVATE BASIS WITHOUT FEDERAL OR STATE CONTROL STANDARDS. INFORMAL NATIONAL STANDARD ADOPTED IN 1909 AND CONGRESS PASSED US GRAIN STANDARDS ACT IN 1916. ACT CREATED SYSTEM WHEREBY PRIMARY INSPECTION CONDUCTED BY STATE, TRADE, AND PRIVATE INSPECTORS WITH SUPERVISORY AND APPEAL LEVEL OPERATION CARRIED OUT BY DEPARTMENT OF AGRICULTURE. ESSENTIALS OF THIS TWO-LEVEL SYSTEM REMAIN IN FORCE TODAY; 800 INSPECTORS AND 1,700 SAMPLERS AND TECHNICIANS, LICENSED BY USDA, HANDLE THE GRAIN INSPECTION WORKLOAD NATIONWIDE. INSPECTION WORK BROADLY SUPERVISED BY 220 AGRICULTURE COMMODITY GRADERS EMPLOYED BY USDA.

3. USDA INITIATED FULL AUDIT OF GRAIN INSPECTION OPERATIONS IN APRIL OF 1973, COORDINATING ITS EFFORTS WITH ONGOING INVESTIGATIONS FBI AND THE US ATTORNEY'S OFFICE. INVESTIGATIONS CONTINUE IN A NUMBER OF CITIES IN ALL OUT EFFORT TO UNCOVER PAST MALPRACTICES. AGENCY OFFICERS SHOULD EMPHASIZE THESE POINTS IN TREATMENT OF THE CURRENT GRAIN EXPORT:

1) US EXPORTED APPROXIMATELY 2.2 BILLION BUSHELS OF GRAIN DURING 1974. PRELIMINARY ESTIMATES INDICATE COMPLAINTS ON FEWER THAN 1 PERCENT OF THESE EXPORTS.

2) AS OF MAY 30, 1975, INDICTMENTS RETURNED AGAINST ONLY 14 LICENSED INSPECTORS. NONE OF THESE INDIVIDUAL ARE USDA EMPLOYEES.

E) COMPLAINTS ON QUALITY OF GRAIN SHIPMENTS TEND TO INCREASE AS PRICE DECREASES AND SUPPLIES LOOSEN, REFLECTING BUYERS EFFORTS TO CANCEL EXISTING HIGH PRICE CONTRACTS AND TAKE ADVANTAGE OF MUCH LOWER CURRENT MARKET PRICE LEVELS. IN MID-1973 MONTHLY AVERAGE PRICE FOR WHEAT WAS ALMOST \$6.00 PER BUSHEL; PRICE HAS DECLINED STEADILY, TO \$3.16 PER BUSHEL IN JUNE 1975. POSTS SHOULD NOTE SENSITIVE NATURE OF UNCLASSIFIED

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THIS SECONDARY ARGUMENT AND USE DISCRETION IN DISCUSSING WITH CONTACTS.

4) AS WITH ANY INTERNATIONAL TRADING TRANSACTION, TRANSPORT TIME BETWEEN LOADING AND UNLOADING OF GRAIN SHIPMENTS CAN VARY GREATLY DEPENDING UPON AVAILABILITY OF PORT FACILITIES, LOCAL LABOR CONDITIONS ETC. RISK OF DAMAGE AND SPOILAGE INCREASES WITH LONGER TRANSIT TIMES.

4. TO CURB POSSIBLE FUTURE ABUSES AND STRENGTHEN ENTIRE INSPECTION SYSTEM, USDA RECOMMENDING CHANGE IN LAW WHICH WILL ASSURE GRAIN SHIPPED FROM US IS EXACTLY WHAT CERTIFICATE INDICATES. SEVERAL INTERNAL MEASURES ALREADY INSTITUTED WITHIN USDA TO CORRECT ADMINISTRATIVE DEFICIENCIES IN CURRENT INSPECTION SYSTEM TO STRENGTHEN LAW, NEW

PROPOSED AMENDMENTS TO US GRAIN STANDARDS ACT PROVIDE:

- 1) MECHANICAL SAMPLING EQUIPMENT IN EXPORT ELEVATORS
- 2) INCREASED SUPERVISION OF GRAIN DURING LOADING.
- 3) REFUSING TO DESIGNATE AS OFFICIAL INSPECTORS THOSE PRIVATE AGENCIES WHERE POSSIBLE CONFLICTS OF INTEREST FOUND TO EXIST.

5. ROLE OF GRAIN EXPORTS IS OF UTMOST SIGNIFICANCE TO US ECONOMY (15 BILLION FOR 1974). GIVEN THIS SIGNIFICANCE, USG HAS HIGHEST MOTIVATION AND EVERY INTENTION OF SATISFYING FOREIGN CUSTOMERS WITH HIGH QUALITY EXPORTS. ILLUSTRATIVE OF US CONCERN IS SCOPE AND DETAIL OF CURRENT US CONGRESSIONAL INVESTIGATION, DEPARTMENT OF JUSTICE ACTION, AND CORRECTIVE ACTIONS BY USDA ITSELF.

6. POSTS SHOULD DRAW ON FOREGOING TO COUNTER ANY LOCAL NEGATIVE REACTIONS, COORDINATING WITH FAS ATTACHES AND ECON-COMMERCIAL OFFICERS, AS APPROPRIATE.

KISSINGER

UNCLASSIFIED

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Margaret P. Grafeld
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